

PRODUCTS	107	62	58	227	---	227
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OTHERS	3	2	2	7	30	37
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1,380	793	744	2,917	663	3,580
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1/ BOTH DOMESTIC AND EXPORT

2. ABOVE DATA REPRESENT ROKG 1974 STEEL PRODUCTION PLAN, WITH MCI BREAKDOWN BY FIRST HALF AND THIRD AND FOURTH QUARTER DETERMINED BY HISTORICAL PATTERN FOR PRODUCTION AND DEMAND OVER PAST FIVE YEARS, I.E., 47.3 PERCENT FIRST HALF, 27.2 PERCENT 3RD QUARTER, AND 25.5 PERCENT 4TH QUARTER. PLAN IS CONSISTENT WITH REQUIREMENTS OF ROKG 1974 OVERALL RESOURCES BUDGET (ORB). ORB, WHICH WAS ANNOUNCED IN LATE JANUARY THIS YEAR ALSO TAKE INTO ACCOUNT IMPACT OF OIL CRISIS, RAW MATERIAL SHORTAGES AND OVERALL INTERNATIONAL ECONOMIC OUTLOOK. IT PROJECTED REAL GNP GROWTH OF 8 PERCENT FOR ROK IN 1974 AS OPPOSED TO 16.9 PERCENT ACHIEVED IN 1973. MCI CLAIMS STEEL PRODUCTION ESTIMATES WERE REVISED DOWNWARD TO TAKE SAME FACTORS INTO ACCOUNT WHICH EXPLAINS DIFFERENCE BETWEEN ABOVE ESTIMATES AND THOSE FORWARDED REF (B).

3. REQUIREMENT OF RAW AND SEMI-FINISHED MATERIALS AND OTHER (STEEL INGOTS) FOR ABOVE PRODUCTION PROJECTED AS FOLLOWS:

1974 (000 MT)

	DOMESTIC PROD.	IMPORTS	TOTAL
PIG IRON	950	154	1,104
SCRAP	322	1,215	1,537
BILLET	772	---	772
SLAB	897	---	897
HOT COIL	606	1,163	1,769
STEEL INGOTS	1,938	---	1,938

4. OF FERROUS SCRAP IMPORT REQUIREMENT SHOWN ABOVE, LIMITED OFFICIAL USE

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MCI HAS ESTIMATED 83 PERCENT, OR 1,008,000 MT, IS REQUIREMENT FROM U.S. ACCORDING SAME SOURCE, ROK IMPORTS OF FERROUS SCRAP FOR FIRST FOUR MONTHS OF 1974 TOTALED 425,000 MT, OF WHICH 381,000 MT CAME FROM U.S. THEY EXPLAIN LARGE FOUR MONTH IMPORT TOTAL, WHICH CONTRASTS WITH CURRENT 120,000 MT PER QUARTER ROK LICENSING QUOTA FOR U.S. FERROUS SCRAP, ON BASIS THAT 237,000 MT OF IMPORT ARRIVALS WERE

CARRY-IN FROM 1973 ORDERS.

5. AS CONCERNS TOTAL FERROUS SCRAP IMPORT REQUIREMENT FOR SECOND HALF 1974, MCI ESTIMATES IT AS 312,000 MT FOR 3RD QUARTER AND 304,000 MT FOR 4TH QUARTER. OF THOSE TOTALS, THEY ESTIMATE REQUIREMENT FROM U.S. AS 83 PERCENT, OR 259,000 MT AND 252,000 MT FOR 3RD AND 4TH QUARTERS RESPECTIVELY.

6. MCI INSISTED REQUIREMENT WOULD BE SAME WHETHER PRICE DOLS 75, DOLS 100, OR DOLS 125 PER LT. CASE CAN BE MADE THAT DEMAND FOR SCRAP IN ROK WOULD NOT BE VERY PRICE ELASTIC IN SHORT TERM DUE TO LACK OF SUBSTITUTE RAW MATERIALS OR FINISHED PRODUCTS. KOREA DEVELOPMENT INSTITUTE REPORTS THERE ARE NO FIGURES AVAILABLE AT THIS TIME ON PRICE ELASTICITY OF DEMAND FOR STEEL PRODUCTS IN ROK, BUT PLANS INITIATE SUCH RESEARCH NEXT MONTH AT REQUEST OF POHANG STEEL COMPANY.

7. IF IT NECESSARY MAKE SOME ESTIMATE, DEPARTMENT MAY WISH USE IMPLIED ELASTICITIES FROM DATA SUBMITTED FROM OTHER ADDRESSEES OF REF (A) WHERE ECONOMIES SOMEWHAT SIMILAR TO THAT OF ROK. EMBASSY WOULD SUGGEST, IN THAT CASE, THAT ABOVE PROJECTIONS BE ASSUMED TO REPRESENT DEMAND AT PRICE OF DOLS 100/LT.

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 GSA-02 PA-04 PRS-01 USIA-15 H-03 L-03

DRC-01 /162 W

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8. FERROUS SCRAP INVENTORIES OF FOUNDRIES AND MILLS AS OF MARCH 31, 1974, ACCORDING TO MCI DATA, TOTALED 146,000 MT AS COMPARED 139,000 MT ON MARCH 31, 1973, USING TOTAL FERROUS SCRAP REQUIREMENT IN 1973 AND 1974 DIVIDED RESPECTIVELY BY 365 DAYS, MARCH 1973 FIGURE REPRESENTED 45.8 DAYS SUPPLY AND MARCH 1974 FIGURE REPRESENTED 34.9 DAYS.

9. AS FOR EMBASSY EVALUATION OF ESTIMATES, WE NOT EQUIPPED TO DEVELOP AN INDEPENDENT ESTIMATE OF STEEL PRODUCTION AND SCRAP REQUIREMENTS. ESTIMATES PROVIDED BY MCI ARE THOSE DRAWN UP LATE LAST YEAR FOR USE IN OVERALL ROKG PLANNING RATHER THAN ON-GOING ESTIMATES ADJUSTED FOR ACTUAL DEVELOPMENTS IN FIRST FOUR MONTHS OF THIS YEAR. MCI OFFICIALS MAINTAIN THAT STEEL PRODUCTION IS PROCEEDING ACCORDING TO PLAN SO FAR, ALTHOUGH THEY EXPRESS GREAT CONCERN OVER WHAT WILL HAPPEN IN UPCOMING MONTHS IF THERE IS SERIOUS SHORTFALL IN THEIR PROJECTED IMPORTS OF FERROUS SCRAP FROM U.S.

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10. MCI HAS PROVIDED ENOUGH DETAIL TO DEMONSTRATE, IN EMBASSY'S OPINION, THAT IF STEEL PRODUCTION ESTIMATES ACCEPTED, FERROUS SCRAP REQUIREMENTS ARE VALID. IT SHOULD BE NOTED TOTAL DEMAND OF 3,580 MILLION MT FOR FINISHED STEEL (SEE PARA 1) INCLUDES 952,000 MT FOR EXPORT. HOWEVER, MCI SAYS 827,000 MT OF THAT IS PRODUCTION BASED ON HOT COIL IMPORTS AND REMAINING 123,000 MT PRODUCED FROM IMPORTED HIGH CARBON WIRE. IN OTHER WORDS, SCRAP IMPORTS EMPLOYED IN PRODUCTION FOR DOMESTIC MARKET. DETAILED TABLE AND FLOW CHART FROM MCI SHOWING HOW FERROUS SCRAP REQUIREMENT FITS INTO OVERALL PRODUCTION PLAN BEING FORWARDED BY POUCH. AS TO SHARE OF TOTAL FERROUS SCRAP REQUIREMENT TO BE MET FROM U.S. SOURCES, THE DESIGNATED SHARE IS CONSISTENT WITH PAST IMPORT PATTERNS.

11. TOTAL ROK SCRAP IMPORTS BY QUARTER FOR 12 MONTHS ENDING MARCH 31, 1974 WERE AS FOLLOWS (000 MT):1/

1973			1974	
2ND	3RD	4TH	1ST	

209 186 269 282

1/ 1973 DATA FROM OFFICE OF CUSTOMS; 1974 DATA FROM
UNOFFICIAL MCI RECORDS.

AFTER TAKING INTO ACCOUNT INVENTORY DATA (PARA 8 ABOVE),
IMPORT DATA INDICATE TOTAL USAGE OF IMPORTED SCRAP FOR
12 MONTH PERIOD AS 940,000 MT. THEY ALSO SHOW RISING
DEMAND DESPITE PRICE INCREASES OF LATE 1973 AND EARLY 1974.
ONE REASON FOR INCREASED DEMAND IS THAT POHANG STEEL COMPANY
CAME INTO FULL PRODUCTION IN JULY 1973.

12. ALL IN ALL, EMBASSY CONSIDERS MCI ESTIMATES
TO BE A REASONABLE EFFORT TO FURNISH DATA REQUESTED.
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